

## **Testimony for Senate Bill 671**

**September 17, 2009**

### **Overview**

As a global leader in both automobile and real estate financing, GMAC Inc. (f/k/a GMAC LLC) ("GMAC") was significantly impacted by the global financial credit crisis that most companies experienced during 2008. During the latter part of 2008, GMAC explored various avenues to secure a profitable and productive future given the various challenges it faced, including the existing market conditions as well as its own organizational structure. After significant internal analysis and communications with federal agencies, such as the Federal Reserve and the United States Treasury, it was concluded that the most viable plan for GMAC was for its parent entity, GMAC LLC, to apply for regulatory approval from the Federal Reserve to restructure as a bank holding company ("BHC") under the Bank Holding Company Act of 1956, as amended.

### **Michigan Legislative Remedy Requested by GMAC**

The MBT Act was enacted on July 12, 2007, and became effective January 1, 2008. Upon enactment, and prior to receiving BHC approval, GMAC was permitted to annually elect to use the MBT apportionment percentage of its former parent, General Motors Corporation ("GM"). This apportionment percentage determines the amount of GMAC's tax base that is subject to the MBT, and GM's MBT apportionment percentage tends to be lower than GMAC's. Upon GMAC receiving BHC approval from the Federal Reserve on December 24, 2008, GMAC became a "financial institution" for MBT purposes. As a financial institution, GMAC is no longer permitted to utilize GM's MBT apportionment because the language in the law that provided this benefit applies to non-financial institutions.

### **Senate Bill 671**

This legislative provision will serve as an amendment to section 208.1267 of the MBT Act. This amendment would permit a taxpayer that restructures as a financial institution on or after January 1, 2008 and that prior to the restructuring was permitted to calculate its apportionment under section 208.1307(6), to continue to calculate its apportionment under section 208.1307(6).